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- **Warren Buffett analysis updates: Buffett knows when to pull reins back, when to let loose**

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Don't miss our blog
www.street-cents.com

Asset allocation reminders

Portfolios of contributions versus withdrawals



John A. Kvale,
CFA, CFP®

After several years of seeming riskless fantastic returns in one of the major indexes, we updated our calculation - first presented one year ago in our newsletter - to a more realistic real world example.

The bottom line is this is a fantastic reminder of why diversification is always necessary no matter how seemingly riskless returns may appear most recently when drawing on portfolios.

(see **Why**, Page 2)

Timely tax reminders

New rules for beneficiaries of IRA's

Tax filing is right around the corner. With many new laws likely coming into effect this tax year (2025), we look back to last year (2024) and remind of the items we have certainty, well at least as much certainty as possible.

Reminder: Only one form this year from our Vendor Schwab. Unlike year 2023 duplicate tax forms due to the merger, we are blessed with a simple source for our tax reporting this year. We will keep you

(see **Tax**, Page 6)

Three awards

Money magazine, D magazine recognition

After compliance approval, we are happy to announce Money Magazine Financial Planner Award, D Magazines Wealth Managers and Financial Planners Awards.

(see **Money**, Page 7)

Asset allocation reminders

Why diversification is always necessary...

(continued from Page 1)

What follows is the S&P 500 from 2000 to 2024, one of the more resilient indexes of late.

Each analysis starts with \$100k.

First : \$100k plus \$1k annually 2000 through 2024 = \$3 million

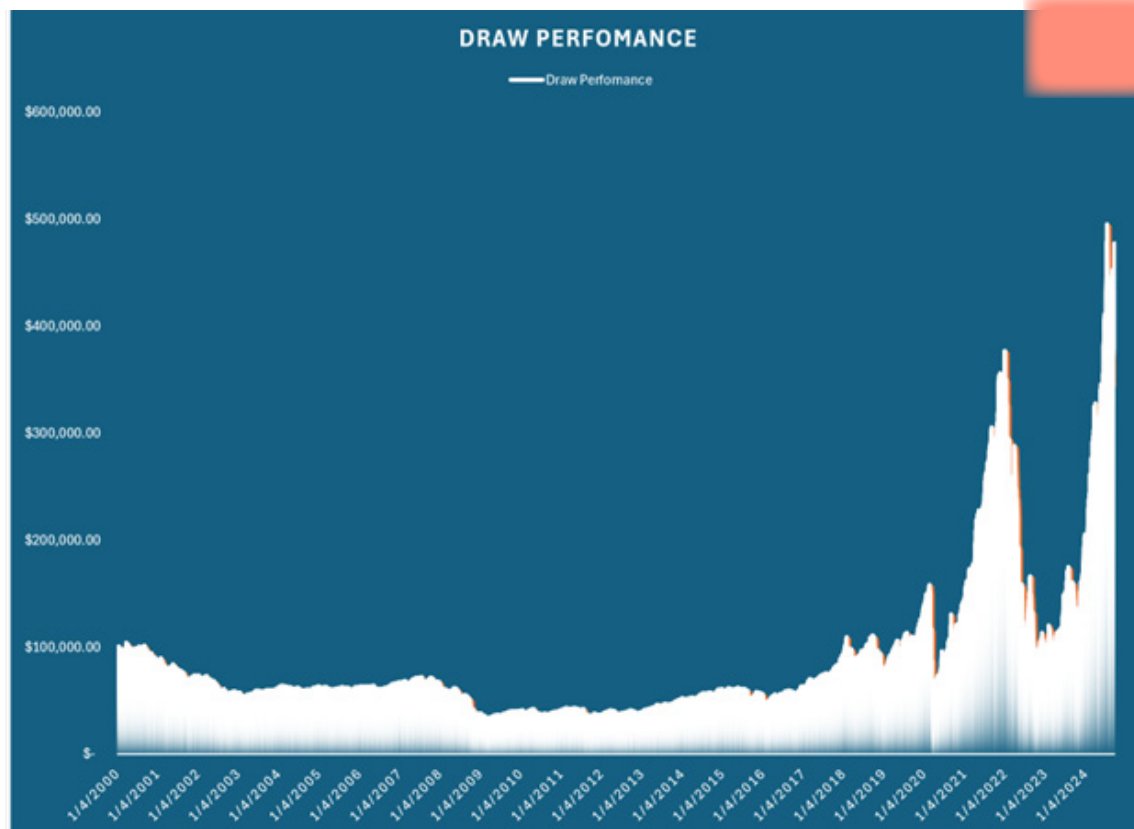
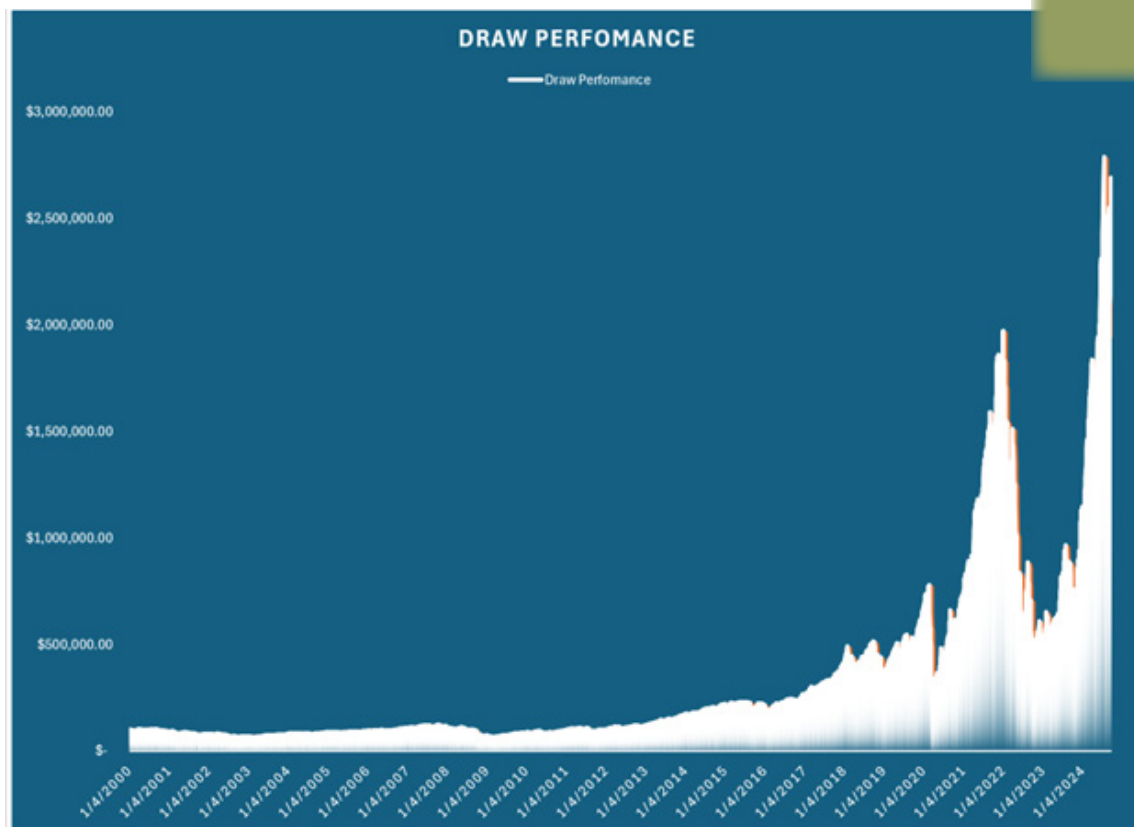
Here we start with the same \$100k but we draw 4% and end with \$500k.

Sounds fine on the surface but after 9 years there was only \$35k remaining – no one would make it! This is not realistic.

Now if we step the draw up to 5.5%, it fails in 2017.

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Note: Colors on corners of boxes reference paragraphs in text.



Asset allocation reminders

no matter how seemingly riskless returns appear

(continued from Page 2)

Here is the same time frame but just allocating half to the S&P 500 and the other half to boring but safe bonds.

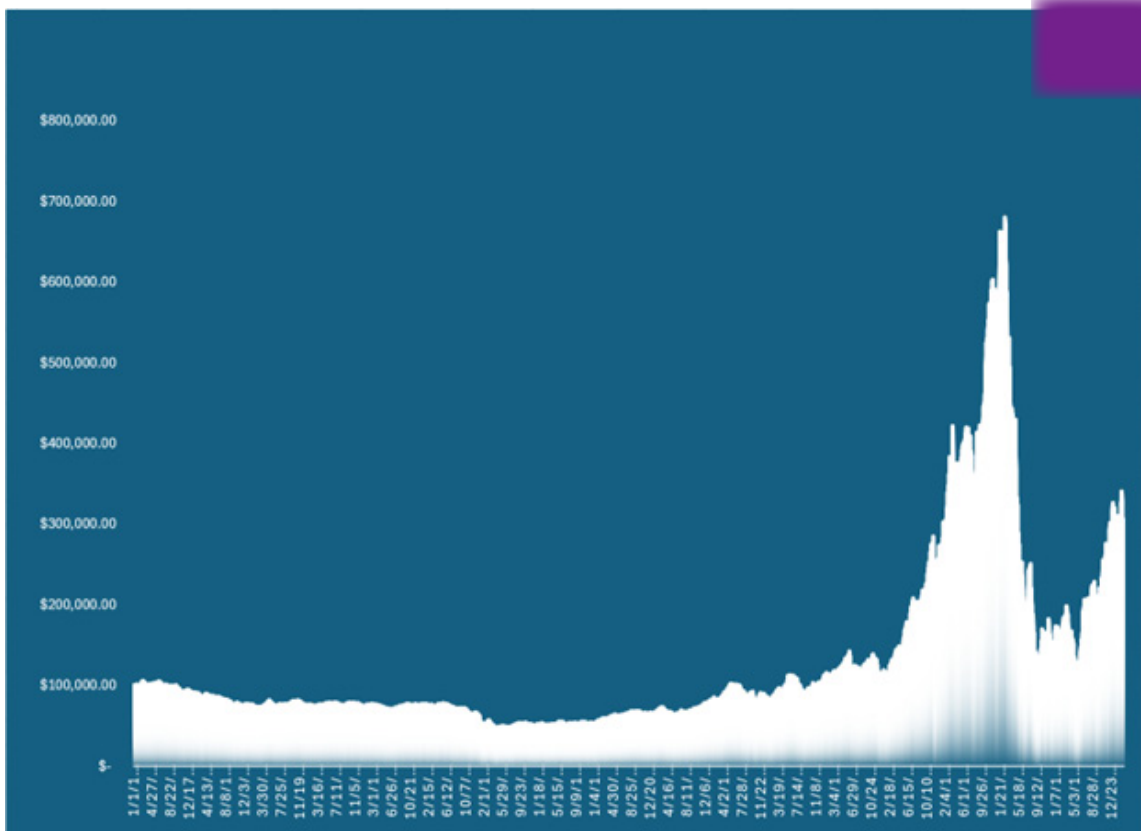
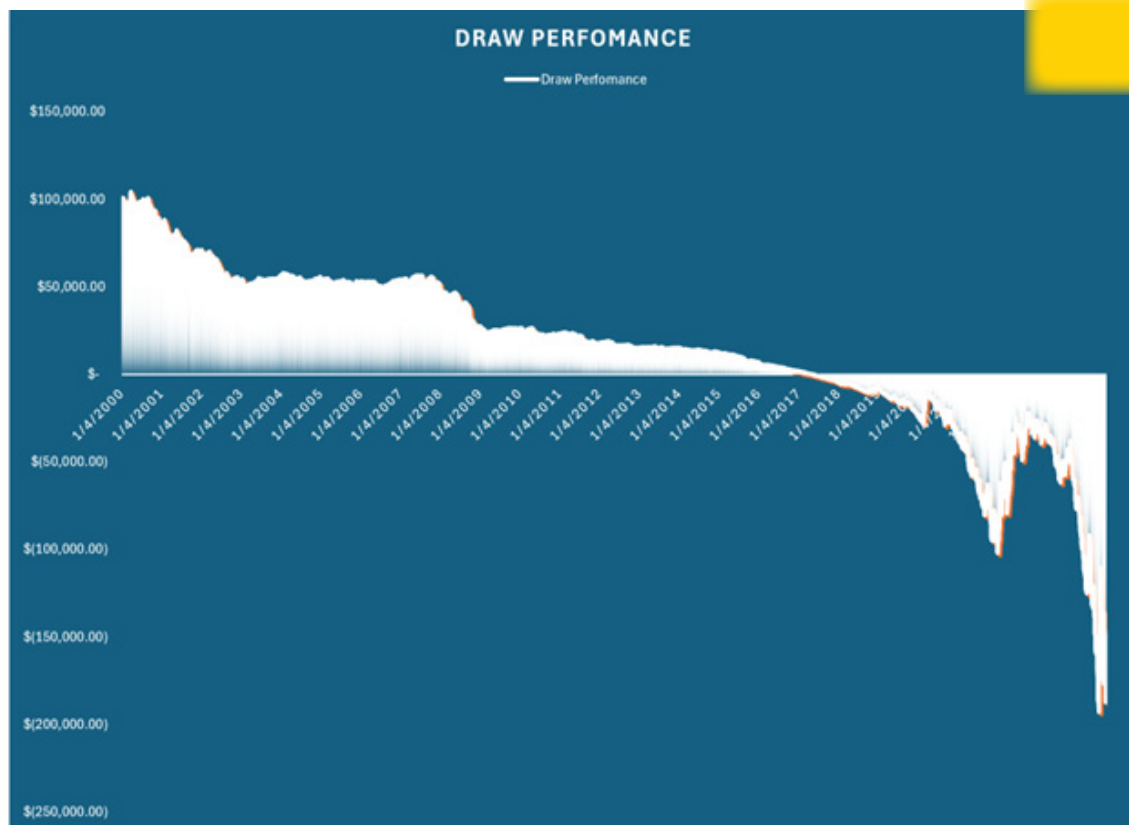
For much of this time frame, bonds were earning very low rates but provided the needed stability for a much different outcome.

NOT recommended but to show just how much stronger this allocation is for draws, the next graph is a whopping 8% draw. (Never do this!)

The low water mark was just under \$80k, a far cry from the \$35k tap out experience of the all equity draw in our second example!

The reminder and main point is as we build and add to our portfolios we can be more aggressive.

When nearing the time to draw (5 years or less) it is not a good idea to be aggressive and can have dramatic long term effects, no matter how tempting it may be. *R*

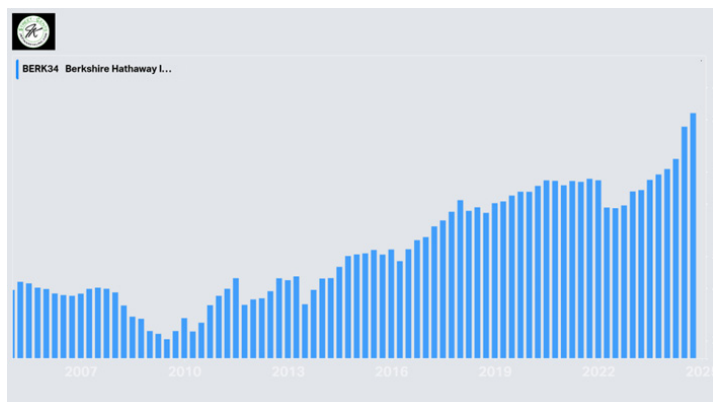


Warren Buffett analysis updates

Buffett knows when to pull reins back, when to let loose

While on a late fall trip with unusually great airplane Wifi, just by chance while reviewing the Berkshire Hathaway earnings report an idea to check Warren Buffett, the long time CEO and state-ly investors cash position was completed with quite the surprise.

Oddly in true *the musician never knows what song will be popular* format, not only was this a popular thought and a smash hit on our blog but multiple media outlets also ran with the



idea.

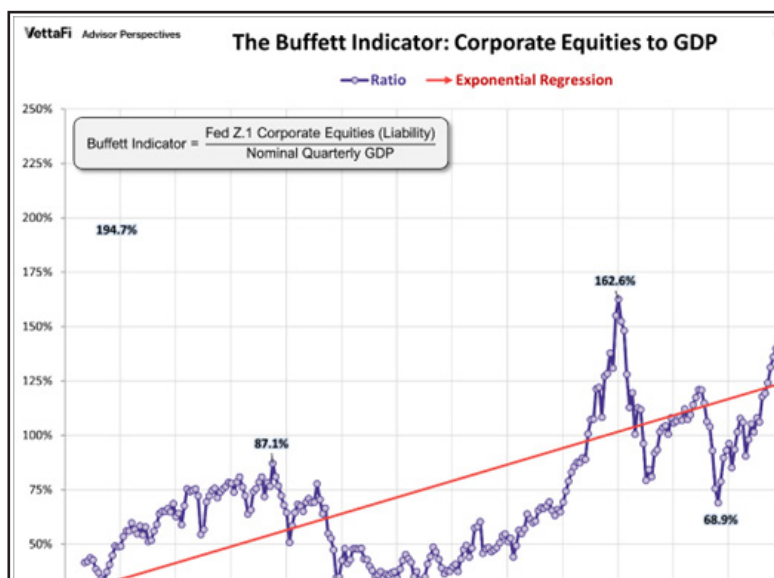
Over time as Berkshire grows, it is logical to expect that his war chest of cash will be larger just like a family emergency fund needs to be greater as the dependents needs rise.

One does not have to squint to see there are definitely times where the chest is drawn upon and is a two decade track record through year end 2024.

Well known Buffett indicator update – GDP to stocks

With our last visit being some time ago, this indicator, a Buffett favorite, from a very high level points to high valuations when well

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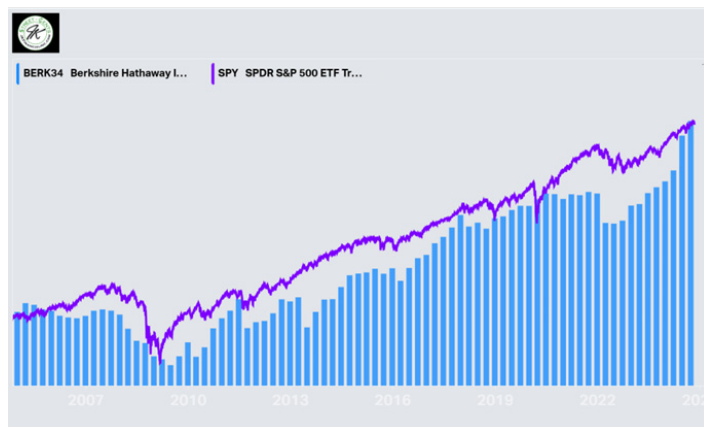


above the red regression line. (See graph above and at <https://www.advisorperspectives.com/dshort/updates/2024/12/05/buffett-valuation-indicator-november-2024>)

Taking a second look at Buffett's cash

Thanks once again to one of our favorite newer analytical software platforms,

Koyfin, overlaying the S&P 500 index for the last several decades shows a strong correlation of build up and then deployment at opportunistic times.



Key takeaway

This is not meant to be a *sky is falling* conclusion or major Bear Market is coming take away.

Buffett has an outstanding record of knowing when to pull the reins back and when to let loose.

He is clearly pulling the reins back now so just another reminder to keep in perspective.

JK

Patience hat needed

Process, ability to consolidate HSA may take months, follow process, patience

Over the last third of the year and literally as this newsletter is being written we are concluding the final transactions for moving and taking full control of the elusive HSA.

We have used ourself as the guinea pig for this long-awaited and requested HSA update.

The good news is we have a process and the ability to help consolidate those HSA's that may be left stranded by former employment or other one-off situations.

The bad news is it literally took four months for us to transact our own personal HSA due to various reasons.

Our hope is we are greatly under promising and over delivering here on being able to gather and consolidate those straggling HSA accounts. More importantly, we have identified the player that we need to use and have an ironed out process to open and consolidate those HSA account(s) and that will also allow us to have an investment account attached to it at our vendor Schwab. This will allow full access and investment capabilities while still allowing the usage of your HSA.

There has to be an intermediary to process any medical expense reimbursements, the company we are now using is called Lively (Livelyme.com).

So, in effect, everyone will have a Livelyme bank account that has a minimal balance mandate of \$3,000 and then a Schwab Lively account connected to it that we can help you manage and control.

Here's how the process works:

Send us your old HSA account statement(s).

Each carrier will have a completely different transfer process.

After we clear everything, open a Lively (LivelyMe.com) account AND a Lively Schwab account at the same time, carefully taking the Schwab account number at the time of opening.

Begin the transfer process promptly after opening the Lively account as there is a 30 day window to complete the process. We must be ready to go when we open the account and we must be careful to roll the funds over correctly so as not to cause tax problems for the next filing tax year.

Given the trials and tribulations and extended time period using ourselves to transact and effectuate the original process, we would ask that you please have your patience hat on as there is somewhat of a lack of control.

We will be reaching out to those of you who we have promised the service before and there are several whose carrier which was the same

carrier we had is retracting and taking total control of your funds. We are aware of this and will effectuate the transactions as quickly as possible.

We are somewhat curious on the tax forms that we are going to receive from the various entities that we transferred ourselves and expect those to be received at the end of January mandate, so this will give us clarity.

Thanks in advance for your patience as we gather any stranded plans that you guys have asked us for and we appreciate all of your help on this.

JK

Timely tax reminders

Tax savings now for 2024 until April 15 filing

(continued from Page 1)

updated via our blog at www.street-cents.com on corrected status and let those unlucky few receiving corrected's know directly.

Company W-2's are due at the end of January but many other are much later. Investment 1099 Misc usually arrive mid February but corrected 1099 Misc occur well into late March.

K-1's are generally due March 15 but many taxing entities do not send them until late April or even May.

LLC Corporate filings are generally due March 15 with Monday April 15 being the main personal and many other corporate deadline date.

Tax Savings you can still do for 2024

All available until your April 15 filing with the SEP being extendible

SEP or Simplified Employee Pension– This is a beefed up IRA for consulting or direct non W-2 income that will allow a significant 25% offset against your net income from that source of Income.

IRA – Individual Retirement Account– Phased out at certain income levels, this can be a tax saver for those with no other option and we only like doing them if you are able to deduct them, not a non deductible IRA.

HSA – Health Savings Account – See our related article on finally being able to help with these instruments but another favorite for those of us with high deductible health coverages, check with your provider to see if you qualify. These contributions are tax deductible and do not phase out, no matter your income level.

Roth – the after tax IRA – While limited in income levels, this after tax, tax free growth and retirement withdrawal is an excellent savings vehicle. This contribution does not offset income taxes.

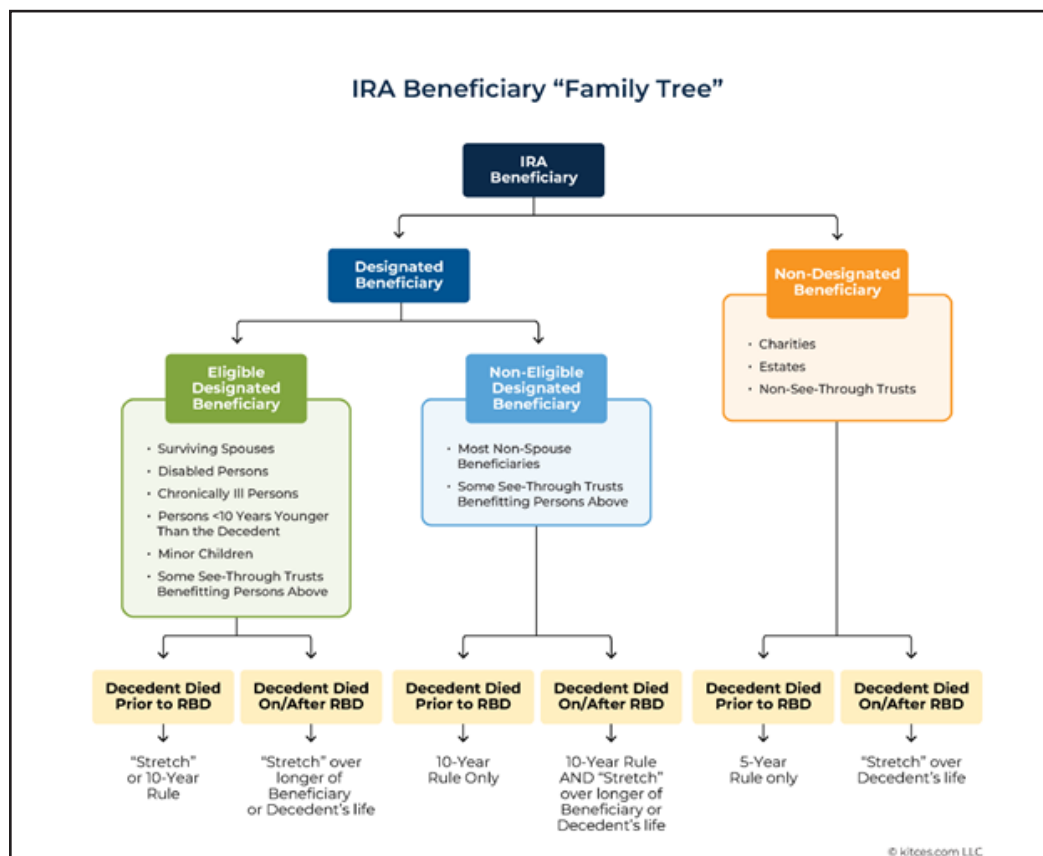
Beneficiary IRA update

Once bitten here a year ago, these rules were finalized mid 2024 and look to stick this time.

As a non spouse beneficiary of an IRA owner who passed in 2020 or later, you have 10 years to empty the account AND as of this year, if the prior owner had started his/her RMD's you must continue those RMD's. This was not in force from 2020 to 2024 but will commence this year – 2025 - with the mandatory 10 year "Empty" rule being completely in force no matter the RMD situation, again for those after 2020.

Here is a detailed Family Flow Graph below.

We will continue to update you with any new changes or updates at our blog www.street-cents.com as well as keeping you completely up to date on corrected and other tax forms. *JK*



Three awards

Money Magazine Financial Planner Award, D Magazine Wealth Managers, D Magazine Financial Planners awards

(continued from Page 1)

As you guys know we do not bump up against the edges of the rules.... Due to very new regulations initiated about awards, honors and the announcements of in November of 2022, we have chosen to remain silent over the the last two years on any awards we have received while these new rules were implemented and enforced for that matter.

With a compliance green light we are very happy to announce!

The award from Money Magazine was announced in October and is on your newsstand.

Advisor Name ⓘ ▾ ▲	Location ⓘ ▾ ▲	Key Designation ⓘ	Planning Experience ⓘ	Focus Areas ⓘ
John Kvale J.K. Financial, Inc. ★★★★★	Dallas, TX	CFP®, CFA®	More than 20 years	Investment, retirement

At right, see the scoring and ranking.

Wow, what an honor to be on the list.

While some of you have noticed and even asked, we were also mum on the local D Magazine awards over the last two years.

We are also happy to announce our inclusion in the Best Financial Planners and Wealth Managers! This award was received in the last quarter of 2024.

See the process for the award at right.

There was no payment of any kind for the receipt of these awards!

JK

Overall scoring and ranking by MONEY (abridged)

More than 1,000 planners responded to the e-mail invitation and completed a 35-question survey that asked about themselves and the ways they work.

Next, they scored the remaining planners through a system that rolled up relevant responses into scores in four major areas: qualifications; services and specialties; trust and customer service.

The final list of 80 planners comprises those who received overall scores that converted to at least 4 out of 5 stars in each of those four areas – and, as noted, were also free from any upheld disciplinary actions.

In addition to the self-reported information we gathered from the surveyed planners, we also put their knowledge to the test. Part of a planner's composite scores was based on several analyses that measured how well the planner is in tune with the needs of clients. To determine this, Money asked the planners to rank in order of importance 21 factors related to trust, communication and shared values with clients.

All of this is reflected in the published list of 80 top planners, which displays a final score for each (out of 5.0, to one decimal point) along with visual star symbols that are rounded from those scores.

The process used by D Magazine (abridged)

D Magazine asks every **Certified Financial Planner** in the Dallas-Fort Worth chapter of the Financial Planning Association to cast an online ballot. They are asked to name peers, both inside and outside their firms, whom they considered to be the most skilled and experienced financial planners. Nominating financial planners must:

- Be a Certified Financial Planner in good standing.
- Be a member of the Financial Planning Association.
- Currently practice within our geographic boundaries

We ask every **wealth management** firm and team in the Dallas-Fort Worth chapter of the Financial Planning Association, the Chartered Financial Analyst Institute, and the Investments and Wealth Institute to tell us about their practices. Top Wealth Managers are selected based on the following criteria:

- Total assets under management for individual clients of at least \$100 million.
- Average assets under management per client of at least \$1 million.
- A 95 percent client retention rate over the last two years.
- No current disciplinary actions.
- All firms or teams must have been in existence for at least five years as of the application deadline.
- They must hold themselves out as fiduciaries for their clients and provide them with a written disclosure.

D Magazine editors finalize the list following an independent panel review.

MONEY'S BEST Financial Planners

Money surveyed more than 1,000 financial planners to arrive at the 80 best, who all earned high marks for qualifications, trust, services and customer service. Use the table below and more options in the search function to help you find a professional to plan your financial life.

D Magazine Presents BEST FINANCIAL PLANNERS & TOP WEALTH MANAGERS

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The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investments may be appropriate for you, consult your financial advisor prior to investing.

Parting thoughts for you...

We hope you enjoy our new seasonally adjusted newsletter which turned out to be longer than we had expected.

Our lead article reviews the astonishing importance of allocation as we adjust from contribution to withdrawal chapters in life. A great reminder for any that may have forgotten.

We are able to handle HSA's, while complicated. We have a complete article for your review for those of you that have been asking and those that maybe did not know this, it will require a patience hat as it's a unique transfer process.

We look back on 2024 tax laws and remind everyone the changes that we can make today will adjust our taxes for last year. With a total expectation of many new laws that will occur this year, 2025, more to come on this, possibly a special all new tax newsletter!

Lastly, we pat ourselves on the back with three wonderful awards thankfully and are honored to be in such good company with our fellow advisors. One award given to advisors across the entire United States that we were selected, which was a total surprise from Money Magazine.

JK

Dates:

Jan. 20 - Martin Luther King, Jr. day, markets closed

Feb. 17 - President's Day, markets closed

April 18 - Good Friday, markets closed